



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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TIMOTHY W. BOYER
Interim Executive Director

August 29, 2003

No. 2003/059

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

HISTORICAL PROPERTIES INTEREST COMPONENT – 2004 LIEN DATE

A city, county, or city and county may contract with the owner of qualified historical property to restrict the use of the property in such a way as to promote the property's continued preservation. In exchange for agreeing to the restrictions on use, the property owner benefits from a preferential assessment treatment. Under this treatment, which is set forth in sections 439–439.4 of the Revenue and Taxation Code, the assessor must value the property by applying the capitalization of income method in a specified manner.

Section 439.2 requires the Board to annually determine the interest component of the capitalization rate that the assessor shall use in applying the specified method. Specifically, section 439.2 requires that the interest component “be determined by the board and announced no later than September 1 of the year preceding the assessment year and that was the yield rate equal to the effective rate on conventional mortgages as determined by the Federal Housing Finance Board, rounded to the nearest $\frac{1}{4}$ percent.”

Information received from the Federal Housing Finance Board indicates that the latest effective rate on conventional mortgages was 5.41 percent. Rounded to the nearest one-quarter percent, this figure means that the interest component of the capitalization rate used in the valuation of enforceably restricted historical property for the 2004 assessment year is **5.5** percent. (For your reference, a table is enclosed listing the interest components announced for prior assessment years.)

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:grs
Enclosure

**HISTORICAL PROPERTIES ASSESSED UNDER SECTIONS
439-439.4 OF THE REVENUE AND TAXATION CODE**

INTEREST COMPONENTS FOR PRIOR YEARS

Lien Date	Interest Component
2003	6.5
2002	7.25
2001	8.0
2000	7.50
1999	7.25
1998	7.75
1997	7.75
1996	7.50
1995	7.75
1994	7.25
1993	8.00
1992	9.50
1991	10.25
1990	10.50
1989	9.25
1988	9.50
1987	10.25
1986	11.25
1985	13.50
1984	12.50
1983	14.75
1982	15.25
1981	12.50
1980	11.50
1979	10.25
1978	9.5